

# Pragati

The Indian  
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Review

No 10 | JAN 2008

# 17

## Ways In Which India Can Be A Better Country

AND  
PAKISTAN ZINDABAD!  
SOVEREIGN WEALTH FUNDS  
THE NEW CITIZEN  
READY FOR THE FUTURE INTERNET?  
FILM REVIEW: CHARLIE WILSON'S WAR

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# Pragati

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## AGENDA

# A wishlist for 2008

*Seventeen ways in which India could be a better country*

AMIT VARMA

TO SURVIVE in India, I sometimes think, one needs to be a wishful thinker. There is much about India that is beautiful and inspiring, but there's quite as much that is terribly frustrating. For decades since our independence, we have languished as a poor country—and even though we opened up parts of our economy in 1991, much of the country is still desperately poor. Our imperial overlords handed over power in 1947 to a government that was almost as oppressive—one that we now take for granted. There are so many ways in this could be a better country, even a leader among nations.

So as 2008 begins, I present to you my wishlist for the new year. This is all fantasy—none of these wishes may actually come true this year. But they give us something to aim for, and hopefully we'll get there one day—and truly be a free country.

**1. Get over the religion of government.** For all our problems we turn to government. This is folly. Government consists of human beings as fallible as us, in whose hands we place enormous amounts of power and money. What's more, the incentives of these people are aligned towards increasing their power and their budgets, and not necessarily towards serving us. We should stop

empowering it with our blind faith, and demand that it lifts all restrictions on private enterprise—there is no surer route to prosperity.

**2. Start questioning taxes.** If you were forced to work for the government for four months of the year, you would call it slavery. Paying one-third of our income in taxes is no different—and yet we do not protest. Most of this is wasted by the government in tasks it has no business doing. Sure, taxes are necessary to sustain a government that defends our rights and provides some public services—but our government does far, far more. Let us at least start questioning this, and not demand government spending for everything as if that money comes from the skies, and carries no cost.

**3. Abolish most of our ministries.** Most ministries are redundant. (For example, the ministry of information and broadcasting.) We should do away with them. Those worried about how those ministers or civil servants would be employed can donate their own money to support them, and not force it on others.

**4. Support free speech.** As long as giving offence is a crime, free speech becomes redundant. We should do away with Section 295(a) of the Indian Penal Code (IPC), and amend away the caveats placed on free speech in Article 19 (2) of the

constitution. And those who claim to support free speech should not be hypocrites about it: both MF Hussain and the Danish cartoonists deserve our support.

**5. Stop punishing victimless crimes.** Let us respect individual choice, and not punish any act that does not infringe on someone else's rights. Section 377 of the IPC, which effectively criminalises homosexuality, should be scrapped. And we should rethink our attitudes towards prostitution and drugs—we would be able to protect the rights of prostitutes and drug users better if they were legal.

**6. Make the right to property a fundamental right.** Well, it started out that way. Then, in 1978, with the 44th Amendment, it ceased to be one. It needs to be reinstated, so that battles for justice as at Singur, Nandigram and even Narmada can be fought on the basis of principle, not emotion.

**7. Oppose all tariffs and subsidies.** They all amount to forced charity—certain producers benefit at the expense of us consumers. We don't owe those producers a living.

**8. Stop trying to protect the corner store.** Same principle as above. Businesses exist for the benefit of consumers, not the other way around. If—and it is a big if—consumers abandon *kirana* stores and

the People – should take it upon ourselves to fight for them.

**11. Stop playing cards.** In 2007, the Congress pulled off a supposed coup by playing the gender card in the presidential elections. Elsewhere, we have played the Dalit card, the Muslim card and so on. Enough already. The business of running the country is not a game.

**12. Stop tolerating mobs.** An individual can't get away with burning a bus, but collect a mob, and anything goes. Especially in the name of religion. We should be more tolerant of the diversity around us, and of free speech, and completely intolerant of mobs.

**13. Realise that Hindutva is not equal to Hinduism.** As Ranjit Hoskote once wrote: "[T]he roots of Hindutva do not lie in Hinduism. Rather, they lie in a crude mixture of German romanticism, Victorian puritanism and Nazi methodology."

**14. Bring delayed justice to the victims of past massacres.** Let us bring to justice the perpetrators of New Delhi 1984, Mumbai 1992-93, Gujarat 2002 and Nandigram 2007. Let us not let politics get in the way, and shout against one or the other.

**15. Reform agriculture.** Around 60 percent of our country depends on agriculture and allied sectors for a livelihood. This is unsustainable—the

**Big businesses don't often speak in the interest of free markets. Typically, they lobby politicians for protectionist policies that protect them from competitors. We should be wise to this, and should not confuse cronyism for free markets.**

shift to big retailers, we will do so because we save money and time doing so. We will do something else with that money or time, and the economy will accordingly benefit. That is how economies grow—through the voluntary and unrestrained actions of consumers and producers. We shouldn't mess with that process.

**9. Fund schooling, not schools.** Our education system has failed because parents have no choice. Two things can change this. One: We should allow private schools to open and run without any conditions at all. Two: Instead of funding schools, we should give school vouchers to parents, empowering them with the power to choose whichever school they want for their kids.

**10. Stop assuming that Big Business = Free Markets.** Big businesses don't often speak in the interest of free markets. Typically, they lobby politicians for protectionist policies that protect them from competitors. We should be wise to this, and should not confuse cronyism for free markets. The biggest beneficiaries of economic freedom—We,

figure in developed countries is closer to 5 percent. There are a variety of ways to reform agriculture, such as allowing farmers to sell agricultural land for non-agricultural purposes and removing the restrictions placed on farmers that prevent them from selling their produce outside a limited area. But what farmers really need is alternative career options, for which:

**16. Remove all restrictions on business.** Let's dump all that's left—and there's a lot of it—of the License and Inspection Raj, reform our labour laws, carry out product market liberalisation and, essentially, remove all restrictions on free enterprise. Then we can finally become the manufacturing superpower we should have been 30 years ago, and provide feasible options for our beleaguered farmers.

**17. Demand more of our politicians.** Our prime minister is 75 years old. The main leader of the opposition is 80. Most young politicians in the country are scions of political families. None of them have expressed any new ideas. For India's



sake, let's set higher standards for the people who run our country.

Phew. That's a long list, and I'm sure any reader of *Pragati* could easily double it. There is so much to do, and so little will. And yet, it is important to keep shouting from the rooftops what India

needs to fix, and *Pragati* will continue to do just that. Are you with us?

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## PAKISTAN



# Pakistan zindabad!

*India's new challenge is to steady Pakistan's boat*

NITIN PAI

A STABLE, internally reconciled Pakistan is in India's interests. Ah! Wouldn't that mean that it will only pursue its age-old anti-India agenda with even more vigour? Not quite. Because a Pakistan that continues to pursue irredentist goals in Kashmir or indeed, seeks to foment terrorism elsewhere in India can neither be internally reconciled nor be stable. For what is its current, perhaps existential crisis, than proof of this? A stable Paki-

stan does not necessarily mean a friendly Pakistan—rather, it is a necessary condition for stable India-Pakistan relations. Whether stability will lead to peace and normality depends on a number of factors. But it will provide India with the space to proceed, relatively undisturbed, on the path to its own development.

So what India really needs is not a peace process, but rather, a stabilisation process. In the short-

term this would call for preventing Pakistan's political crisis from causing it to collapse, and in the long-term ensuring that it builds a sustainable 'business model' for itself.

Ah! Why bother, you might ask. Isn't it just as well, besides much easier, to just let it collapse and split into a number of smaller states? Well, even if that destination itself were desirable, the journey is likely to be so violent that any sense of *schadenfreude* that Indians might feel would melt away under the costs of having to deal with a crisis next door that would be several Partitions rolled into one. And the presence of nuclear weapons, facilities and scientists on the one hand and the advance of radical Islam on the other should drive home the reality that both journey and destination are not to be wished for, and certainly not to be aimed for.

### A stable Pakistan does not necessarily mean a friendly Pakistan—rather, it is the necessary condition for stable India-Pakistan relations.

Of the umpteen challenges to the stabilisation process, two stand out for their immediacy: First, India must devise a new mechanism for dealing with the various power centres that hold sway in Pakistan. Traditionally, a strategy of tit-for-tat kept levels of violence under control. It worked during times and to the extent it was clear who actually was calling the shots in Islamabad. But it is bound to fail now, as it is clear that President Pervez Musharraf does not have the capacity to control the quarters that employ the *jihadi* networks. India thus has to deal with those who control Pakistan's nuclear weapons, those that control its *jihadi* ones and the conventional army in between.

Second, while India's strategic doctrines and operational procedures have focused on nuclear deterrence and fighting a limited war under the nuclear umbrella, it is now forced to plan for an entirely new threat: the risk that non-state actors like al Qaeda and its Pakistani constituents will seize control of deliverable nuclear weapons or their components. It is not merely a question of finding answers to the question "can nuclear deterrence work against terrorists?". It is a question of finding an answer to that question but under an additional constraint: that of not crossing the red

lines drawn by the Pakistani military establishment. The risk that Pakistan's nuclear weapons will fall into *jihadi* hands is remote. But the need for India to develop doctrines and plans is not. Not least because the game of deterring the *jihadi* begins even before he actually acquires the weapon.

India has been content so far to back the American line on Pakistan. But Washington's Pakistan policy is in a shambles. While following the United States in reposing confidence in President Musharraf—or whoever is in power in Islamabad—is not without merit, it is still half the policy. The other half needs to ensure that Pakistan doesn't fall apart due to President Musharraf's attempts to stay in power. Pakistan's crisis would have been far less serious if not for his sacking of Chief Justice Iftikhar Mohammed Chaudhry in May 2007.

Can President Musharraf be pushed towards implementing a policy of national reconciliation that he has so far paid lip service to? Perhaps. But this will require more than just Washington to push him. China, Saudi Arabia and Iran will need to push in the same direction. But why would they? Well, even if their pain threshold is much higher than India's (or America's), Pakistan's collapse is not in their interests. China needs access to the Arabian Sea, Saudi Arabia needs access to Pakistan's nuclear establishment and Iran does not need an independent Balochistan (or a refugee influx). A concerted international effort, therefore, is possible. India must quietly but purposefully engage in diplomacy towards this end.

It's unlikely that Beijing and Riyadh would see an alignment of interests beyond steering Pakistan out of an existential crisis. Yet, as actors with considerable influence in Pakistan their involvement is key to its long-term stability. The United States too might lose interest in Pakistan—even if it continues to provide financial and military assistance. India's long-term interests therefore call for New Delhi to insist on strengthening state institutions *vis-à-vis* the military establishment now, at a time when outside powers are interested in Pakistan's stability. Even as India engages President Musharraf bilaterally, a separate multilateral process will allow it to pursue other imperatives of the stabilisation process.

India has a new Pakistan problem. It needs a new Pakistan policy.

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Nitin Pai is editor of *Pragati* and blogs at *The Acorn* ([acorn.nationalinterest.in](http://acorn.nationalinterest.in))

## GEOPOLITICS

# Regaining the horizon

## *Smart power and the domestication of foreign policy*

SIDDHARTH SINGH

CONSIDER TWO issues: First, is domestic consensus breaking on foreign policy? Or are cautious “take a pause” attitudes prevalent because the nuclear deal has momentous consequences for the future of India’s relations with the world? These questions are a subset of the bigger question of the links between foreign policy and domestic politics in a fractious and noisy democracy.

And second, what direction should India take on blending hard realism with soft power? How should the blending take place? In terms of soft power, what does India have to offer to developing countries and the world at large?

The two sets of questions are linked.

unconsciously, the question of how domestic politics is to be linked with foreign policy. Those who profess hard realism call this an alignment of national interests with foreign policy. Those who prefer a soft power menu of options term it reckless adventurism. Unsurprisingly, the two sides are on the opposite ends of the political spectrum.

To a foreign observer, not seasoned in the complexities of India, the situation might appear difficult, bordering on the paralytic. The problem is that in the end a shabby compromise between the two visions is a distinct possibility. A compromise that will not be an eclectic blend of the best that both visions have to offer, but a bureaucratic “stay-

**The larger issue is to regain the policy horizon that shrunk after the Nehru years. At that time India had a large influence in world affairs for the wrong set of reasons. Today when the right reasons exist, there seems to be no will to go where we have been before.**

The last fifteen years mark a transition in the way India perceives the larger world and in turn its own place in the world. In a sense, the transition has been in the making for a long time. The early, post-Independence phase of foreign policy came to an end in 1962 and initiated thinking on realist lines even if India moved in line with earlier trends: it continued to be a leading light in the Non Aligned Movement (NAM) and the Commonwealth. The United Nations continued to be a preferred forum for international interventions by the country. No one single factor contributed to what, in hindsight, appears to be a stasis. The existence of the Soviet sphere certainly was a constraint in any decisive moves toward a realist foreign policy. Now, in 2007, that transition appears to be at an end and India seems to be dithering. The proximate reason is the limits imposed by coalition politics. But India is also confronting, even if

where-you-are” version of it. At the moment, it’s difficult to presage what will happen next.

How did we get here?

Traditionally, there has been little connect between domestic politics and foreign policy questions. There have been occasions where local concerns have been made use of in foreign affairs; the problem of refugees from the then East Pakistan to India was a component in the decision to go to war with Pakistan. But nothing of a systematic link existed between the two. This is unlike other democracies where a consensus prevails on such matters. This is a consensus by compact between different political parties.

In India such a consensus existed by default and not by design. India’s unique political conditions ensured this. The predominance of a single political party for much of the post-Independence period, the municipal nature of the opposition and

a large mass of illiterate citizens, among other things, were conducive for a coherent vision. In fact, the very local nature of politics ensured this. That came to an end in the 1990's. With coalitions, this framework began to crumble at the edges, until finally, after 2004, the Left tried, and succeeded, in lancing it. Whether things will revert to what they were before 2004, when political parties seldom had views on foreign policy, is still in the realm of conjecture.

The development did catch the establishment by surprise. It's amazing how the Left parties, that do not even have 10 percent of the popular vote, have managed to stall the single biggest foreign policy venture since Independence. It does not help matters that 71 percent of people in India supported the nuclear deal with the US (according to a Pew Research Centre survey in 2005). It casts India in bad, fractious, light among other nations. India, it seems, does not know what it wants.

Yet, with an effort, something constructive may come out of this episode. Hard power and the soft approach are not discontinuous constructs. They can blend well, as the Chinese approach to diplomacy shows. India can do it too.

If energy security ought to be a big foreign policy goal, mixing it with trade will serve India well. Instead of inking useless "agreements" (such as with some Central Asian countries), India would do well to mix it with trade. It's here that soft elements such as advice on agriculture, industry and governance, in which India has proud achievements, should be incorporated with trade. India's recognised expertise in governance issues like conducting elections or managing geographically and culturally distinct regions is what many modernising countries in Africa and the rest of the world badly need. China's experience in Africa, where it mixed aid with advice suited to African requirements is very pertinent. In return, its got sweet deals on oil and other commodities vital for the future of its economic growth.

India too does all that, but never as part of a coherent vision. Having railway advisors in one country along with hard, ruthless, bargaining in the same country over some petty deal washes away the goodwill. India is losing influence in large swathes of the world. In Africa, for example, India had (has?) tremendous goodwill from the NAM days. This has been squandered. Why could India not go in for trade with African nations? Trade, not only in terms of buying cheap and selling dear, but with greater strategic foresight? If money has to be expended to develop African markets, it should be done.

In this age, a mixture of goodwill, trade and that extra effort are all required to secure vital commodities. The American and Western experience of exporting manufactures and importing raw materials is difficult to replicate. But the same ends can be achieved by blending trade with soft elements of foreign policy. In the bargain transaction costs do go up but with limited quantities of commodities like oil, minerals and coal this should be seen as the rent that has to accrue to resource rich nations. Unfortunately, Indian economists are busy debating "imperialism," "self-reliance," "public sector vs private sector" and other irrelevant issues. It does not help that the foreign policy establishment and these economists live on different planets.

These, however, are matters to be addressed by those who practice foreign policy and are more in the technical realm. The larger issue is to regain the policy horizon that shrunk after the Nehru years. At that time India had a large influence in world affairs for the wrong set of reasons. Today when the right reasons exist, there seems to be no will to go where we have been before.

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Siddharth Singh is Assistant Editor (Editorial Pages) of *Mint* ([www.livemint.com](http://www.livemint.com))

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## Essential readings of the month

### The Broken Arrow problem

THE WAR GAMES conducted by the U.S. government and by other experts offer a recurring conclusion: Retaining the co-operation of the Pakistani government, especially its military, is crucial. "Our best bet to secure Pakistan's nuclear forces would be in a co-operative mode with the Pakistani military, not an adversarial one," said Scott Sagan, a Stanford University expert in counter-proliferation.

Sagan argued that mere contemplation of a US intervention might actually increase the chances of terrorists acquiring a nuclear warhead. He said that in a crisis, the Pakistani government might begin to move its nuclear weapons from secure but known sites to more secret but less-secure locations. "If Pakistan fears they may be attacked," he said, then the Pakistani military has an incentive "to take them out of the bunkers and put them out in the countryside."

In such locations, Sagan concluded, the weapons would be more vulnerable to capture by bad actors. "It ironically increases the likelihood of terrorist seizure," said Sagan.

The bottom line, said Oakley, the veteran diplomat, is that "the only way you can safeguard them is to work very, very closely with the Pakistani army." To attack that army, he said, would erode the one institution that is keeping the weapons under control. "If you want nukes to get loose," he said, "that's the way to do it."

- Thomas E Ricks, *Calculating the risks in Pakistan*, Washington Post, 2 Dec 2007

### Al Qaeda at the ISI gate

PHYSICAL SECURITY regulations in an office of the ISI at Rawalpindi exempt officers of the rank of Brigadier and above coming in their own vehicle from frisking at the

outer gate. They undergo a frisking only after they have entered the premises. Officers below the rank of Brigadier have to get out of their vehicle, undergo frisking and then get into their vehicle and drive in.

Since all officers travel in civilian clothes in unmarked vehicles, there is a special hand signalling system for Brigadiers and above by which the security staff at the outer gate can recognise their rank and let them drive in without undergoing frisking. This hand signalling is changed frequently.

On the morning of November 24, 2007, a car reached the outer gate and the man inside showed a hand signal, which was in use till the previous day. It had been changed on November 23 and a new signal was in force from the morning of November 24, 2007. He was not aware of it. The security staff got suspicious and did not allow the car to drive in. They asked the man driving it to get out for questioning and frisking. He blew himself up.

The two attacks directed at the ISI and another at a Pakistan Air Force bus at Sargodha were based on inside information. The suicide bomber was aware of the hand signalling code. However, he was not aware that the signal code had been changed the previous day. Since these codes are communicated personally to Brigadiers and above, their existence is supposed to be known only to Brigadiers and above and the physical security staff.

If Al Qaeda is already having sleeper cells in the GHQ, there is an equal danger that it already has sleeper cells inside Pakistan's nuclear establishment too.

- B Raman, *International Terrorism Monitor - Paper No 335*, South Asia Analysis Group, 28 Dec 2007

### Arctic landgrabs set a precedent for Lunar ones

BUT WHAT has gone unnoticed amid the international clamour is that the Arctic battle has implications that reach far beyond the top of Earth. The squabbling will be a prelude to—and even set the tone for—eventual sovereignty claims on the moon. At the same time that it was making Arctic claims, Russia announced plans for manned lunar missions by 2025 and a permanent base there by 2032. Japan might beat them to the punch with a 2030 base. Both will be able to stop over and share a glass of Tang with US astronauts, who are supposed to start setting up shop in 2020. China also has lunar aspirations, though officials will say only that they plan to get to the moon sometime after 2020.

It could get crowded up there, and the rules for lunar landgrabs will likely be patterned on what is happening now in the far north. "The recent Arctic events are relevant," says Joanne Gabrynowicz, an international space law expert at the University of Mississippi. "The seabed, high seas, Antarctica, and space are, as a matter of law, global commons. What happens in one can be argued to be legal precedent in the others."

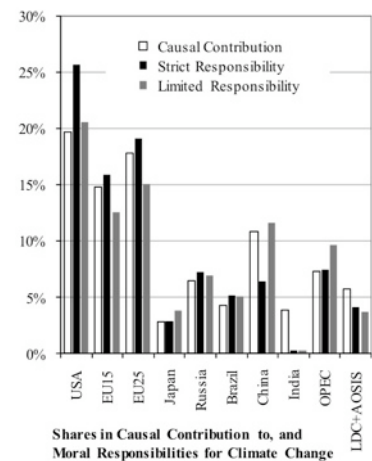
The moon may lack traditional loot—there's no gold, no oil, no trade route—but that doesn't mean it's worthless. Harrison Schmitt, the only astronaut to walk on the moon who was also a scientist (in fact, a geologist), advocates mining it for helium-3, a rare isotope thought to be an ideal fuel for fusion reactors. Since 2002, Ouyang Ziyuan, the chief scientist of China's lunar exploration team, has made his country's intentions clear: "Our long-term goal is to set up a base on the moon and mine its riches for the benefit of humanity." In human history, anywhere there's value, there

are eventually property rights.

- Richard Morgan, *Today, Countries Battle for a Piece of the Arctic. Tomorrow? The Moon*, Wired Magazine, Dec 2008

### Moral responsibility for global warming

CAUSAL CONTRIBUTION must not be confused with moral responsibility for (climate change)...limiting factors, such as ignorance of the harm done, which have no place in the scientific assess-



ment of causal contributions. As shown in the figure depicting the shares in causal contributions to moral responsibility for climate change, the differences between the two can be significant. India, for example, with a causal contribution of 3.9% has a significant relevance to the problem, but has minimal moral responsibility regardless of whether one considers strict or limited moral responsibility.

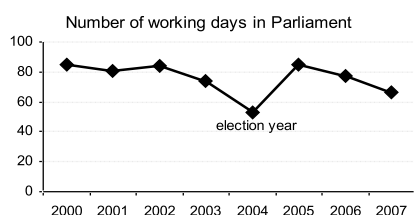
- Benito Muller et al, *Differentiating (Historic) Responsibilities for Climate Change*, Oxford Climate Policy, Oct 2007

### Do you have something for FILTER?

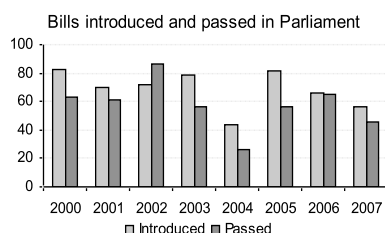
If you have a journal article or paper that you think your fellow readers might be interested in, please email it to us at [pragati@nationalinterest.in](mailto:pragati@nationalinterest.in)

**Overview: Parliament in 2007**

2007 was not a year of stellar performance for Parliament. The data for all non-election years in the last eight years shows that this year, Parliament worked for the least number of days, least number of total hours, and the least number of hours per working day. The total number of working hours in 2007 was nearly 40% lower than in 2006.



Legislative business did not fare well either. In 2007, the lowest number of bills were introduced and passed, compared to recent years. Only 56 Bills were introduced and 46 passed in 2007. Between 2000 and 2006 (except the election year of 2004), on average, 75 Bills were introduced every year and 65 were passed.



**Winter Session 2007.** In sharp contrast to the Monsoon Session, the Winter Session of Parliament (November 15–December 7) worked almost the entire scheduled time. As planned, there were 17 sittings of both Houses of Parliament. In fact, the performance of Parliament in this session has improved the overall performance of Parliament in 2007.

Most of the planned business was concluded during the Session. 14 Bills were introduced and two were

withdrawn. While 18 Bills were listed for passing, 15 were passed.

The first few days of Parliament were interrupted due to the issue of violence in Nandigram. Parliament, however, worked long hours on several other days to make up the lost time. It also held discussions on the India-US nuclear deal, the Nandigram issue and the need for harmonious functioning of the three organs of the State, i.e., the legislature, executive and judiciary.

**Major Bills** that were passed during the 23-day long session included the Payment and Settlement Systems Bill, 2006, the Maintenance and Welfare of Parents and Senior Citizens Bill, 2007, the Payment of Bonus (Amendment) Bill, 2007, the Aircrafts (Amendment) Bill, 2006 and the Tyre Corporation of India Limited (Disinvestment of Ownership) Bill, 2007.

Two controversial Bills related to protecting unauthorised constructions in Delhi and the service condition of the directors of All India Institute of Medical Sciences and Post-Graduate Institute of Medical Education and Research were also passed.

The government introduced the **Rehabilitation and Resettlement Bill, 2007** in conjunction with the Land Acquisition (Amendment) Bill, 2007 to decide how and when land could be acquired for non-farming activities and how the people displaced by such acquisition should be rehabilitated and compensated. The Rehabilitation Bill provides for the rehabilitation and resettlement of persons displaced due to the acquisition

of land under the Land Acquisition Act, 1894 or for any other reason. A social impact assessment study would be conducted in case a project displaces a minimum of 400 families in plain areas, 200 families in tribal or hilly areas, desert development block, or areas under the Fifth or the Sixth Schedule of the Constitution.

Some of the rehabilitation benefits to be given to affected families include allocation of land; provision of house; provision of financial assistance for construction of cattle shed, transportation cost of shifting families, building materials, cattle etc. The Bill has an interesting provision: In case the acquisition is for the benefit of a company, the displaced person has the option of obtaining a part of the compensation in the form of shares of that company.

**The Land Acquisition (Amendment) Bill, 2007** amends the Land Acquisition Act, 1894 to extend additional protection to individuals affected by acquisition policies. The current Act defines land for 'public purpose' as land needed for village-sites, town or rural planning, landless of natural disasters, or land for planned development or a government schemes. The Bill limits the definition of public purpose to acquisition for strategic, naval or military purposes; for public infrastructure projects; or for a project where 70% of the land has been purchased.

The current Act allows companies to purchase private land for 'public purpose'. The Bill restricts this provision and allows them to acquire land only if they have already purchased 70% of the land needed for the project. (This is to ensure that contiguity requirement is not blocked by a few sellers; the holders of land are assured fair market value as the price

for at least 70% of the land is decided by negotiation between the buyer and sellers). It adds that the assessment of compensation would include any change in the value due to change in the intended use of the land. A Land Acquisition Compensation Disputes Settlement Authority is to be established to arbitrate all disputes within six months.

In 2005, the 'In Principle' Memorandum of Settlement regarding the **Darjeeling Gorkha Hill Council** (DGHC) was signed between the Governments of India, West Bengal state and the DGHC. **The Sixth Schedule to the Constitution (Amendment) Bill, 2007** and **The Constitution (One Hundred and Seventh) Amendment Bill, 2007** seek to amend the Sixth Schedule of the Constitution to create a Gorkha Hill Council, Darjeeling (GHC), with legislative, administrative and financial powers on specified subjects. The Schedule designates tribal areas in Assam, Meghalaya, Mizoram, and Tripura as autonomous regions and stipulates that these areas should be administered through a system of District or Regional Councils with legislative powers on specified subjects.

**The Authority for Advance Rulings on Central Taxes Bill, 2007** seeks to replace the separate Authorities for advance rulings for income tax and central excise, customs & service tax with a single Authority.

As we enter 2008, 71 Bills are pending in Parliament.

For more information on Vital Stats, the Winter Session of Parliament and to access bills, summaries and analyses, visit [www.prsindia.org](http://www.prsindia.org)

Compiled by Kaushiki Sanyal, senior analyst at PRS Legislative Research, New Delhi

## FINANCIAL MARKETS

# Sovereign, wealthy and ready to invest

## *Sovereign wealth funds and the challenges for India*

MUKUL G ASHER

THE CURRENT phase of globalisation has been characterised by unprecedented growth in world financial assets. They constitute more than three times the world's gross domestic product (GDP), triple the share in 1980. Total tradable and (theoretically) liquid financial assets are estimated to be US\$160 trillion at end 2007. There is increasing recognition that financial innovations, involving a multitude of instruments and players, have outgrown capacities to monitor and supervise them.

It is in the above context that the Sovereign Wealth Funds (SWFs), which are one of the pools of assets (primarily but not exclusively international) for achieving the government's economic, financial, and strategic objectives, need to be analysed. As may be expected, the officially stated objectives are couched in neutral commercial terms.

### **Sizing them up**

The size of the SWFs is difficult to estimate due to lack of transparency and the absence of international monitoring mechanisms. In a testimony before a committee of the United States Senate in November 2007, Edwin Truman reported the combined size of the 16 major SWFs in June 2007 to be US\$2.1 trillion, while their foreign exchange reserves were at US\$4.1 trillion, giving them control over a total asset pool of US\$6.2 trillion. (This total excludes China Investment Corporation, CIC, a US\$200 billion SWF, set up in November 2007). The above asset pool compares with US\$3 trillion in global hedge funds, and annual flow of US\$ 1.2 trillion in private equity. India's foreign exchange reserves of US\$271 billion as at November 16, 2007, are quite modest in comparison. India currently does not have a SWF.

The ongoing commodity boom, reflected in high oil and mineral prices; mercantilist policies of China and other East Asian countries leading to large persistent current account surpluses; high stock of SWFs leading to high annual flows of

SWFs income, all suggest that the SWFs will continue to be a force in global financial markets. Morgan Stanley estimates that the size of the SWFs may grow to US\$12 trillion by 2015, about the same size as total US GDP.

The size and expected rapid growth of the SWFs, along with their geographical and investment activity concentration have raised concerns in both originating and the recipient countries. Thus, the International Monetary Fund (IMF) has been concerned about the impact of SWFs on financial stability. There is anxiety, not just in the developing countries, that the SWFs' investments in their strategic industries may undermine technological flexibility, policy autonomy, and perhaps social cohesion.

The SWFs must be evaluated in terms of their structure, governance, transparency and accountability, and behaviour. A scorecard based on these four factors prepared by Mr Truman gives some of the lowest scores to oil-rich countries, China, and Government Investment Corporation (GIC), one of the two SWFs of Singapore, raising serious concerns.

Abu Dhabi Investment Authority's recent acquisition of a 4.9 percent stake in Citigroup and GIC's 9 percent stake in UBS AG further reinforce Mr. Truman's concerns. Moreover, such stakes by SWFs in large western financial institutions, with implications for global systemic risk, are likely to grow.

Lawrence Summers, a former US treasury secretary, has argued that SWFs shake the logic of capitalism. In a speech in December 2007, the chairman of US Securities and Exchange Commission (SEC) discussed the impact of SWFs on the character of American and global financial and capital markets. He raised serious concerns about enforcement of market regulations when entities involved are governments, and potential conflict of interest when the government is both a referee and a player.

The birth and growth of SWFs has given rise to the irony that the role of the state in both financial and real economic activities is growing at a time when the importance of markets is being increasingly recognised. The worry is that the state enterprises and the SWFs which control them could fundamentally impact the working of the free market itself.

Countries with some of the largest aggressive SWFs are far from open societies and participative political entities. Liberal commentators who argue in favour of SWFs see no contradiction in the intrusion of opaque SWFs into privately-run companies in their countries, while they would stoutly oppose their own government's stakes in privately-run companies. They also do not see contradiction in encouraging investments from SWFs of petro-states where the tendency is to (re)centralise and personalise power, with consequent atrophy of democratic, political and participative institutions. This trend is counter to the professed objective of encouraging decentralised, participative political and civil societies.

#### **Domestic and International Measures**

Closing the avenues for investments by the SWFs is neither practical, nor desirable. Fungibility of funds and wide range of financial institu-

Financial Action Task Force on money laundering should also be vigorously applied to the countries with significant SWFs. It is in the broader interest of the world economy, as well as in the interest of the countries with significant SWFs, and the recipients of the SWF investments to co-operate in developing an international code of governance.

Domestically, the countries may consider much more robust and sophisticated monitoring of investments by the SWFs in their respective countries. In some cases, golden share type arrangements and quantitative limits on SWF investments may be appropriate. Such limits are better set on a country basis, rather than on the basis of each SWF, as there are countries which have more than one SWF. This is something India must keep in mind in negotiating economic agreements.

This is especially the case when dealing with countries such as China, Singapore and Russia that practise various forms of state capitalism, and where the difference between the public and private sector is fairly vague and fungible. Reportedly, the city government of Shanghai and one of the state-controlled commercial banks are each planning to launch a SWF.

Open societies with still-developing regulatory, and data gathering and mining capabilities such as India need to be particularly cautious when in-

## **Policies should not provide opportunities for regulatory arbitrage by treating SWFs markedly differently than other financial institutions such as the hedge funds and private equity.**

tional forms available imply that if investments as SWFs are prevented, their funds will find another avenue for investment. Moreover, not all SWFs (for example, the Norwegian government pension fund) have low transparency and poor governance structures, or are motivated by non-commercial goals.

Global financial markets as well as individual countries will need to accommodate SWF, but with sufficient safeguards. The policies toward SWFs must be based on sound empirical data and other evidence, and should not provide opportunities for regulatory arbitrage by treating SWFs markedly differently than other financial institutions such as the hedge funds and private equity.

There is a need to better monitor their activities both nationally and multilaterally. The IMF, the World Bank, and the Organisation of Economic Co-operation and Development (OECD) have been asked by G-7 to examine SWF issues and to draw up broad guidelines for both the home and the recipient countries. The recommendations of the

investments by SWFs are involved in strategic areas such as banks, telecommunications, and ports. There is a possibility of national policies being undermined by transactions undertaken by SWFs of different countries.

#### **Implications for India**

India should insist on reciprocity in investment access, and in other economic opportunities in the countries of origin of the SWFs, while participating in shaping an international code of conduct for them. The aim should be to retain policy autonomy and flexibility so as not to undermine India's medium-term technological choices and growth options.

India needs to substantially enhance its regulatory and monitoring capacity for not just approving the foreign direct and portfolio investments, but also their behaviour over time. India should consider developing a database of foreign investments by type of financial institutions, including SWFs.



It was recently reported that a Chinese SWF has approached Temasek Holdings (Singapore's second SWF) to purchase a stake held by the latter in the Standard Chartered Bank (which has large operations in India). India has granted special privileges to Singapore's two SWF's under the Comprehensive Economic Co-operation Agreement (CECA). Reportedly, Temasek has declined to sell its stake. Nevertheless, this example illustrates the possible strategic and systemic risks in dealing with the SWFs for India.

The short term tactical behaviour of the SWFs need to be evaluated differently than potential (or probable) medium long term behaviour. Some SWFs may project themselves as essentially portfolio investors, rather than tacking controlling interests. But even a significant portfolio investment could potentially impact who eventually controls the company. Often, an implied subtle step, not necessarily direct, to disrupt financial and capital

returns were 3.9 percent on Reserve Bank of India's assets, with rupee returns lower due to appreciation of the rupee. In comparison, the average yield for dated securities in the primary market in 2005-2006 used to finance sterilisation operations, was 7.4 percent). Thus, the cost of managing foreign exchange reserves is growing. Establishing a SWF, with between 3 to 5 percent of the reserves, could be an avenue to reduce these costs through earning higher returns through asset, geographic and currency diversification.

An important advantage, not mentioned by either of the columnists, would be the ability to understand the operational and decision making complexities of the SWFs. This in turn could assist in devising measures to better monitor and safeguard operations of the SWFs in India.

Arrayed against these advantages of the SWF are the challenges. These include high initial set up costs of staffing specialised and experienced back

## **As an alternative to setting up an Indian sovereign wealth fund, the Reserve Bank could consider a more aggressive investment strategy for a small portion of its investment portfolio.**

markets of the target country, may be sufficient to demonstrate financial power of the SWFs.

As the size of the Indian economy increases from the current US\$ 1.2 trillion, the market for corporate control will also become more contestable. Better corporate governance is therefore no longer a luxury but a necessity if the existing owners want to maintain control. India must also permit its entrepreneurs, state enterprises, and its financial institutions much greater latitude in pursuing investments abroad, and in engaging in strategic alliances.

### **Should India set up a SWF ?**

In an op-ed in *DNA*, a Mumbai newspaper, Kapil Mahajan argued that India's current level of foreign exchange reserves (US\$272 billion) is more than sufficient to accommodate precautionary needs. Ramkishan Rajan was more circumspect in a recent *Business Standard* article. He argued that India's capital- rather than current account based surplus implies that precautionary reserves should be larger than for other countries, but that India should seriously debate the desirability of establishing a SWF.

Both columnists emphasise that precautionary reserves should be very conservatively managed. But as their size grows, and given low returns (Mr Mahajan reports that in fiscal 2005-2006, US dollar

and front office professional staff. The challenges of establishing and sustaining a governance structure which ensures transparency and accountability, combined with appropriate autonomy, independent-mindedness among the Board members, and expertise will also have to be met. Can India's political economy permit these exacting requirements to be met?

A careful assessment of the advantages and the challenges is needed before a decision is made to set one up. As an alternative, the RBI may consider a more aggressive investment strategy for a small portion of its investment portfolio. A combination of in-house management and giving mandate to specialised fund managers may be considered.

### **In sum**

SWFs are likely to continue to be an integral and significant part of global financial and capital markets even in the medium term. India has an important stake in ensuring that it puts in place domestic safeguards SWF investments to retain technological and policy autonomy, and against financial instability. India also needs to lower costs of holding reserves, and gain expertise in operational and governance aspects of the SWFs.

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POLITICS

# The new citizens

*Politics in the time of urbanisation*

RAVIKIRAN RAO

A CONSEQUENCE of India's political system is that it is extremely difficult, if not impossible, for a popular politician to ascend to national leadership. The career path of choice for India's national leaders is by "coalition building", which is another name for cutting deals with other power brokers. One can find popular leaders at the state level, but a popular chief minister who tries to climb to prime-ministership by communicating directly with the people faces many hurdles.

Many of these hurdles are put in place by India's parliamentary system and by the internal structure of its political parties. The party can use the upstart's popularity to help its campaign, but because the party controls seat distribution, the leader does not get much in return. Because of the undemocratic internal structure of parties, the leader cannot challenge this unequal bargain unless he is utterly sure of winning, or he has no other choice. The national leadership of a political party has the *brahmastra* of "party discipline" to cut to size any leader who is gaining in popularity.

The natural result of this has been that over the years, national leadership of national parties end up being composed entirely of people who cannot win an election by themselves, but who are skilled political operatives good at working the levers of the organisation's machine. This is a stable equilibrium, because all the state-level leaders of the party will prefer it that way. It is far better, from their point of view, to have as national leaders

**It is less likely that the urban voter's choice is mediated by caste leaders. This citizen cares about national level issues—such as industrial policy and national security—and is more likely to directly engage with a leader from another state.**



**It's different in the Metro**

party hacks who depend on them than to have really popular leaders who can displace them.

The only way out for a popular leader is to split and form his own party. But this means that he has to take on the tedious task of building a national party, an ordeal that shouldn't really be repeated more than once a generation. If his party begins to gain popularity, it begins to encroach on the turf of other local leaders who will tend to gang up to check the rise of the party and he is back to square one.

A quick survey of India's post independence history will confirm this trend, which started right since 1947. Jawaharlal Nehru, Indira Gandhi and Rajiv Gandhi were indeed popular leaders, but it is important to note that Nehru did not ascend through the current political system, while Indira and Rajiv Gandhi did not have to ascend at all. They had their dynasty to give them a leg up and insulate them from the inevitable attacks. It is instructive to note that Indira's popularity endured over two decades, while Rajiv's lasted only half a decade.

The trend exacerbated after V P Singh's ill-advised attempt to implement the Mandal commission report. Politics after 1991 was entirely feudal and entirely local. It was all a matter of which local caste combination would result in a particu-

lar seat combination rather than the leader's popularity or a party's policies.

Many observers prefer the current situation. According to them, this arrangement avoids the blight of personality politics and "waves". In its place, it leads to true democracy, a situation where leaders need to consult their peers and arrive at a consensus before proceeding. But the flip side is that national elections have ceased to be about any issues or policies. It is not clear why a consensus between power brokers over how the spoils of power are to be shared should be interpreted as consensus among citizens about economic reforms. An arrangement where policies of the government have nothing to do with whether the ruling party gets re-elected or not suits the corrupt, because they do not have to bother with the pretence of governing. It may also suit the mock-experts on television who can interpret the "people's mandate" any which way they wish. But there is no reason why citizens have to put up with it.

There have been many attempts both by popular leaders and by cohesive parties to escape this trap. The Bharatiya Janata Party (BJP) tried to define national politics around Hindutva, targeting Hindus as a single voting bloc. That attempt was only partly and sporadically successful, which means that by the terms we have outlined here, it was a failure. It failed to get the BJP out of the trap of coalition politics. The Bahujan Samaj Party (BSP) leader Mayawati openly desires to become the prime minister by replicating her caste-coalition strategy throughout the country. She has a better chance of success than most who have tried a similar strategy. The Hindi-speaking heartland is more culturally homogeneous than the rest of the country, which means that there is a larger theatre for her to spread her personal influence before she has to negotiate with coalition partners. But the odds are that she underestimates the size

of the country, and the Hindi heartland has become too fragmented—which is one of the causes of the current situation in the first place.

This does not mean that we are stuck with this situation for the foreseeable future. The answer lies in the increasing urbanisation of the voter. The urban voter is more likely to make up his mind by watching television. It is less likely that the choice is mediated by caste leaders. It is more likely that this citizen cares one way or the other about national level issues, such as industrial policy and national security. This citizen is more likely to directly engage with a leader from another state. It is of course a tautology that urban voters are more likely to care about urban issues.

Many analysts have pointed out that the urban middle class is not necessarily more liberal than the current voter. They are right. If anything, it is more likely to support Hindutva than the rural poor. The glimmer of hope is in initiating the national debate, not obtaining the conclusion that liberals want.

Of course, urbanisation has been a trend for quite some time, but the true impact of the urban voter has not been felt in national politics, because a constitutional amendment passed in 1976 forbade delimitation of parliamentary constituencies for another 25 years till the 2001 census. This was done to avoid rewarding states that failed to control their population, but the urban voter was an unintended casualty of this measure. A new delimitation commission has been constituted now, and the impact of this commission on India's politics will be at least as far reaching as that of the Mandal commission.

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POLITICS AND SOCIETY

# Quick to blame IT

*The IT industry has become the favourite whipping boy of the Left-liberal types*

PRASANNA VISHWANATHAN

IN ITS SPECIAL issue on the eve of India's 60th Independence day *The Hindu* published one of Amartya Sen's typically laboured constructs, an essay purportedly on India's global attainments. Like in any of his other writings, Prof Sen prevaricated ceaselessly to camouflage his profound predilection for Marxist dogmas. And it came as no surprise when the course of this essay was skillfully steered towards making a dubious claim of Kolkata being the 'safest' metropolis in the world.

The tacit message that Prof Sen conveyed was that the 'low rate of crime in Kolkata was attributable to the city being the citadel of Left-liberal intelligentsia' and, of course, the capital of the state ruled uninterrupted for more than three decades by the Communist Party of India (Marxist) or CPI(M), a formation largely held to ransom by its

ideological Neanderthals and unelected apparatchiks.

Prior to his essay claiming Kolkata as the safest haven in planet earth, *The Hindu* had published the complete text of Prof Sen's speech to the National Association of Software and Service Companies (NASSCOM) that stood out for its Kennedy-esque exhortation to the Indian IT Industry. In that intelligently crafted speech Prof Sen used the time-tested socialist stratagem of inducing guilt by focusing on societal externalities to give a clarion call to the IT industry to develop, in his own words, 'a sense of obligation' to the society. A defining feature of any socialist speechifying in today's India would involve a mandatory invoking of Nehruvian vision and through it attempt to usurp India's successes in fields as diverse as cricket and space research even if the linkage is at best tenuous or most times non-existent. In that NASSCOM speech, Prof Sen claimed that IITs were instrumental in scripting the growth of Indian IT industry.

This attempt to associate the IT success story with Nehruvian institution-building capabilities can be quickly debunked by pointing out that not many of those who pioneered the low-cost, off-shore centric Indian IT emerged from the IITs. At the other end of the spectrum, analysis of the educational demographics of the foot soldier of the industry, the quintessential software programmer, would point to not less than 80 percent of them drawn from private engineering colleges and science colleges (several of them based in South India). Ashish Arora and Surendrakumar Bagde from Carnegie Mellon University analysed "the relationship between software exports and private engineering colleges from 1989 to 2003 in fourteen Indian states, which account for nearly 85 percent of the population and virtually all the software exports". Their study "*The Indian Software Industry: the Human Capital Story*" finds that "even after controlling for a variety of factors such as level of wealth and industrialisation, the leaders in software exports are those states which allowed pri-



Private funds for public goods



**It is nobody's case that the IT industry should be oblivious to the social context of our time. But it is wrong to frame it as some kind of thanksgiving to Nehruvian munificence.**

vate engineering colleges to open before 1992". Many shady political operators who quickly turned themselves as educational entrepreneurs deserve credit for pioneering the model of affordable technical education in South India. The proliferation of engineering colleges in South India churned out thousands of bright engineers who were gleefully lapped up by well-oiled recruitment machinery of the top Indian IT companies.

Of course it goes to the great credit of the Indian IT industry that it invested in top-class technical training infrastructure to leverage the best out of these bright young minds. It also helped that the rent-seeking bureaucracy and patronage-dispensing political class who had effortlessly established stranglehold over the old economic order, could not figure out quickly enough the *modus operandi* to maintain sway over the emerging IT industry.

It is nobody's case that the IT industry should be oblivious to the social context of our time and operate in splendid isolation. There are several reasons for Indian corporations to develop a deeper understanding of societal forces and formulate appropriate strategies to respond to them. But framing it as the need to develop corporate social responsibility as some kind of thanksgiving to Nehruvian munificence is wrong.

*Outlook*, a popular Indian weekly recently turned very complex issues involved in the rapid urbanisation of Bangalore in to impending 'class' war that pitting the 'rich' IT class against the 'poor' other sections of the society. According to the magazine's recent cover story on Bangalore's troubled relationship with IT industry, reports of physical assaults on city's IT professionals are declared as early signs of a 'class war'.

Even more appalling than the lurid approach adopted by the magazine was an accompanying piece to the cover story, a vitriolic outpouring against the IT Industry by C N R Rao, the scientific advisor to prime minister. Dr Rao's credentials as scientist are outstanding but it is deeply troubling to note that people with such narrow outlooks occupy crucial positions in scientific establishment. The inflammatory tone adopted in Dr Rao's essay

(*"If IT Is Going To Take Away Our Values, Burn Bangalore, Burn IT"*) was hardly distinguishable from demagoguery unleashed by a rabble-rousing politician.

The eminent scientist, it appeared, would not too perturbed if marauding mobs burn down IT campuses in to safeguard the great 'culture' of Bangalore from the 'assault' of the IT professionals.

If the likes of Dr Rao are typical products of the intellectual and scientific culture of the bygone era in Bangalore that is now apparently facing threat with the surfeit of 'cyber coolies', one cannot be faulted for not bemoaning the demise of that 'culture'. The use of the word coolie as a pejorative itself demonstrates a contempt for the dignity of labour.

The disturbing trend of pitting IT professionals against rest of the society has become a mainstay of the Left-liberal commentariat as it battles becoming irrelevant in today's India. But turning the IT industry into a bogey and blaming it for the crumbling infrastructure obfuscates the real reason for mess that urban India find itself in—a massive failure of governance made worse by a reluctance to purposefully press ahead with further liberalisation.

Meanwhile, the Union health minister found time—amid his vengeful campaign against a medical stalwart—to make reproachful generalisations on lifestyle of IT professionals. And a recent Tamil movie stereotyped the IT/BPO professionals in the most disparaging manner possible. They were portrayed as errant individuals with aberrant habits.

The IT industry is woefully ill equipped to counter this campaign of calumny, since its till not found its political feet. As *Pragati* has previously argued, the industry has failed to invest in "think-tanks, the public policy schools, social science research endowments and sponsored professorships". Instead, the enthusiasm for concessional real estate and efforts to extend tax breaks has left the IT industry deeply compromised. It is extremely reluctant to take a principled position on any issue of consequence, not even on the cynical social engineering policies that UPA government continues to advocate for the private sector. Many of these policy formulations if turned in to law might damage foundational principles of meritocracy that has served the IT companies well.

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TECHNOLOGY



# Claiming a piece of the future

*How India can lead in tomorrow's technology world*

RAJESH JAIN

AT A CONFERENCE in San Francisco last year, Mary Meeker of Morgan Stanley showed how a number of non-US markets are leaders in usage of many internet and mobile services: Germany in e-commerce, China in online gaming, South Korea in broadband, Japan in mobile payments, Britain in online advertising, Brazil and South Korea in social networking, and Philippines in SMS micro-transactions. That set me thinking. Which areas in digital technology can India lead in?

For India to become a global leader, it needs to leverage its domestic market. Companies can build scale targeting users (or businesses) in India, and then use that to go international. In recent times, we have seen Suzlon do this in the alternative energy industry. To answer the question about which

areas India can lead in, it is important to first understand the past and then envision tomorrow's world.

The computer, the mobile phone and the internet have formed the bedrock for the technological innovations that we have seen over the past quarter century. All of these innovations came from developed markets, and have made their way to emerging markets. In India, the adoption of the mobile phone has been the greatest story of the past five years. However, India has been a relative laggard in terms of penetration of personal computers and the internet.

Over the next five to ten years we will see the emergence of variants of the computer, mobile phone and the internet which will make a huge

impact in developing countries. Taken together, they will help create the digital infrastructure in emerging markets like India. This digital infrastructure is what will help these countries accelerate economic growth. The three technological innovations on which the digital infrastructure for the developing markets will be built are going to be the Teleputer, the Ubinet and the M-Web.

The Teleputer is a term coined by George Gilder, a technology forecaster. Think of it as a device which marries a mobile phone and a computer, or more specifically, a network computer. As I see it, the teleputer is a device which is a mobile phone which can also double as a multimedia network computer. It can be connected to a full-size keyboard, monitor and mouse.

We will carry the teleputer with us when we are on the move. It will have its own small keypad and display. It will have good data connectivity and an in-built web browser. Perhaps, future versions of the teleputers will also have excellent voice recognition and, like Nintendo's Wii gaming console, even understand gestures. When we want a bigger display and keyboard, we will connect the teleputer to servers on which information and ap-

the information that we need available at a click of a button. The m-web, however, will be an 'incremental web', focused on all that is new. It will be more focused on real-time information streams. These will start becoming important because our teleputer will be a two-way device, capable of sensing and responding, transmitting and receiving—continuously.

Much of today's web is text-centric. The m-web will be rich media. The teleputers, much like today's mid- to high-end phones, are multimedia devices. With the ubinet, it will become much easier and cheaper to send and receive rich media.

Another shift can be thought of as being from W3 to N3. The W3 can be thought of as the World Wide (and Wild) web. The N3 can be thought of as the Now, New and Near web. What's happening around us and in real-time will be mirrored on the teleputer.

Search is the *de facto* way to navigate today's web. The m-web will be built around subscriptions. Think of subscriptions as building ongoing relationships with entities. Because there is a device with us all the time, we can now get access to events as they happen.

**By helping create the devices, networks and services for this emerging world of teleputers, the Ubinet and the m-web, Indian companies can not only capitalise on a domestic market, but also get the scale they need to target other markets globally.**

plications are stored. Apple's iPhone gives us a glimpse into what tomorrow's teleputers will look like.

The Ubinet is a ubiquitous network of connectivity. It will be an envelope that allows access from anywhere. It will be wireless and broadband. The early versions can be seen in technologies like third-generation (3G) mobile, WiMax and mesh wireless. Tomorrow's networks will have far greater speeds. The Ubinet will make 'cloud computing' on the teleputer a reality, with performance that we are used to seeing on today's desktop computers.

The M-Web is the internet that is personalised, mobile and 'magical'. It will include a computing grid that takes care of all the storage and processing. Personalisation will create a magical experience as the teleputer will know where we are and get from the m-web contextual information. The m-web will be mobile friendly because that is how most people will access it.

Today's web can be thought of as a 'reference web'. It is like a gigantic library with almost all of

Advertising is the monetary driver for web search. Similarly, 'invertising' will be the key driver around subscriptions. Invertising—think of it as invited advertising—is about building a hotline to customers, with their permission.

India has the ability to lead in the creation of this new world because for most of us, mobiles have become the primary device in our life. By helping create the devices, networks and services for this emerging world of teleputers, the Ubinet and the m-web, Indian companies can not only capitalise on a domestic market, but also get the scale they need to target other markets globally. These technological revolutions should be the tenets for Indian entrepreneurs to build their companies. The future is closer than we think!

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## BOOK REVIEW

# Living with the Bomb

ASHUTOSH JOGALEKAR

RIGHT NOW, the United States has around 10,000 nuclear weapons. Roughly half of them are on a 15-minute alert. Russia has more than 15,000. Other countries around the world have several hundreds. Together, this destructive force can destroy our planet many times over. Those who lived through the Cold War would find this scenario all too familiar and at the same time surreal. If we pass this age with the preservation of our sanity, future generations will no doubt look back and wonder and ask: what happened? And how will we live with this legacy in the future?

Joseph Cirincione, one of America's foremost experts on weapons of mass destruction, tries to answer these questions in this succinct and well-informed book. He shines in analysing the reasons

## Review

***Bomb Scare: The History and Future of Nuclear Weapons***

by Joseph Cirincione  
Columbia University Press, 224 pages, 2007

Countries certainly can also abandon such programs because they fear military aggression and political instability. In fact, promise of foreign military assistance can be important in convincing such countries to give up their own programs, like

it did for Germany and South Korea. Security on the other hand clearly played a role in the Indian and Pakistani nuclear weapons programs.

Economic factors constitute yet another major reason for weapons building. Countries might decide to abandon nuclear weapons in the face of fear of economic sanctions and as a playing card for getting economic benefits, as Libya did. One hopes that North Korea will be such a case. However, India is interesting in this context. It is now known that Homi Bhabha, the architect of nuclear

**During the Cold War, Gorbachev understood the very fundamental premise of 'common security'—that you can be secure only if your enemies feel secure. Whether it's Iran or North Korea, countries like the US cannot achieve security by making them feel insecure.**

why states might or might not acquire nuclear weapons. Interestingly, the same reasons that propel some nations to possess nuclear weapons might convince others to give them up. In case of Britain and France for example, national prestige definitely played a role in weapons development; both proud nations wanted in some part to redeem the historic role they had played in the world over past centuries. Prestige and patriotism fuelled by the BJP was also a reason for India's nuclear tests in 1998. But the same reasons also encouraged South Africa and South Korea to give up weapons development; both thought they would set a model example in front of the world.

The most common reason cited for possessing nuclear weapons—security—can also be a reason to not have them. While Iran could want them for security, some states like South Korea, Brazil and Argentina think that they appear much less antagonistic when they don't have these weapons.

India, downplayed the cost of building reactors and bombs that encouraged the Indian government to provide funding and facilities for nuclear development.

Cirincione's key argument is that nations can be induced to give up their nuclear ambitions by using the right combination of sticks and carrots.

It is instructive to examine Cirincione's prescriptions in the context of the current debate over Iran's programme. He makes it clear that Iran's development of nuclear weapons will depend on its perception of US plans to effect regime change, and thinks that developing a nuclear capability could deter the US from proceeding. Cirincione argues that diplomacy and gradual pressure through sanctions are likely induce Iran to forgo its nuclear ambitions. Iran could also be given an incentive to pursue only some parts of the fuel cycle, such as converting uranium to uranium hexafluoride gas. The gas could then be shipped to





### Shaking works better than banging

other countries like Russia to be enriched and fabricated into fuel rods. But clearly measures like inspections cannot work by themselves because building a bomb takes only a small quantity of plutonium to be secreted out.

Quite significantly, Cirincione thinks that Iran would also be encouraged to give up nuclear weapons building if it does not face a nuclear threat from what it considers to be its biggest enemy in the Middle East—Israel. The nuclear balance in the Middle East is always going to be contingent on the political atmosphere in the region where Israel is a key player. While Israel's giving up its nuclear program may sound utopian, Cirincione is optimistic that Israel with its vast and superior conventional forces could be encouraged to incrementally reduce or even eliminate its nuclear capability, perhaps starting by shutting down its production reactor at Dimona.

In the end, economic incentives would be as lucrative as political ones for countries to give up nuclear weapons. In today's era, incentives based on mutually beneficial economic transactions could be the key. Cirincione cites a 2005 recommendation by a group spearheaded by John Deutch, a former CIA director, that proposes an "Assured Nuclear Fuel Services Initiative". Under such an agreement, countries that currently are trying to pursue fuel generation and enrichment would give up these activities in exchange for assured cradle-to-grave services by countries that already have such capabilities. These services would involve contributing to all parts of the fuel cycle, from the shipping of fuel to the final containment and reprocessing of fuel rods. Countries that provide such services would get revenue. All transactions would be subject to International Atomic Energy Agency safeguards. One of the most attractive parts of the proposal lies in the incentives that commercial entities would get for brokering such transactions. Thus, the proposal also aims to breathe new life into the nuclear in-

dustry which has been through many bad times in the last few decades.

Finally, Cirincione deals with whether and how we can break through the pall of nuclear destruction. Even if we cannot completely eliminate these weapons, it is not utopian to imagine a world where most countries don't have them and feel secure, and those who do have a dozen each for deterrence. First and foremost, Cirincione has prescriptions for the US to lend credence to its suggestions to stop nuclear proliferation. Writing in 1993, McGeorge Bundy estimated a maximum of 1500 nuclear weapons would be sufficient for deterrence. Far fewer than this number are actually necessary, because all that is required is for a dozen warheads—even three or four—to get through to cause untold destruction. The US is far behind achieving such goals and like Russia, is reluctant to cut down on its arsenal. This is one of the major obstacles in trying to convince other nations to give up their arsenals.

In Cirincione's view, the US clearly has to improve its image as a safeguarder of peace and also as a nation that truly desires it, by working together with other nations. During the Cold War, Mikhail Gorbachev understood and espoused the very fundamental premise of 'common security' which says that you can be secure only if your enemies feel secure. Whether it's Iran or North Korea, countries like the US cannot achieve security by making them feel insecure.

The most crucial issue of today's nuclear era is that of nuclear terrorism. Deterrence does not work for terrorist groups who clandestinely acquire nuclear material and then post a deadly package to another nation without a return home address. While this problem is hard to solve, its resolution crucially depends on securing nuclear material in states, an endeavour clearly dependent on international co-operation.

The existence of nuclear weapons was conceived by collective human brilliance, and their future will depend on collective human wisdom. This future is deviously intertwined with the rise and fall of governments and civilisations. To secure such a future, we all have to work together, as Cirincione clearly documents in this slim, readable volume.

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## FILM REVIEW

# The Dukes of Herat

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SOMEWHERE AMID the strippers, cocaine and Emily Blunt's micropanties in *Charlie Wilson's War* lies the faintly-beating heart of a good political movie. That the film is entertaining cannot be denied. That it will double *Kite Runner* sales is doubtless. But this movie is more *West Wing* than *Syriana*, fictionalising history, soft-peddalling 9/11 blowback and coasting on Tom Hanks' charm to set up patently false Hollywood lines.

Writer Aaron Sorkin plays his secular liberal cards early. Hanks plays Congressman Wilson as a man committed to Jesus but unwilling to tolerate a Nativity crèche on government property. Philip Seymour Hoffman, playing CIA agent Gust Avrakotos, tells off a boss who refuses to promote immigrants and simultaneously picks a side in the immigration debate: 'I've had people trying to kill me for 14 years. Now is that because my dad is a Greek soda bottler, or is that because I'm a fucking American spy? I am an American, you... you child.' He's summoned by Wilson within days to work on Afghanistan. The audience applauds the U-S-A! moment, but in real life, Avrakotos didn't meet Wilson until a year into the war, and initiated the meeting.

Accepting that the movie is highly fictionalised, it's great fun. One farcical scene sees Wilson switch seamlessly between between triaging a cocaine investigation initiated by Rudy Giuliani, and getting the low-down on the Afghanistan war from Avrakotos. Meanwhile, the CIA agent plays a trick of his own.

Om Puri, playing General Zia-ul-Haq being asked to covertly accept Israeli-captured Soviet weapons,

## Review

**Charlie Wilson's War**

Directed by Mike Nichols  
Universal Pictures, 97 mins, 2007

swears in English: 'If I see one fucking Star of David on a crate...' (It's been a big year for Bollywood legends and cussing.) He asks for 'aircraft, guns and money' and demands power of the purse over US disbursements, the seeds of the unholy alliance

between the Taliban and the ISI. Rizwan Manji overacts as an Oxford-trained military advisor who hammers the US for supplying Pakistan with F-16s without advanced radar, and its pitiful \$5 million covert operations Afghanistan budget.

Tom Hanks interprets the role as a very particular Southern businessmen stereotype: hard-partying but competent, congenial and focused on making deals happen. He's a skirt-chasing bachelor who glides between liaisons, making it look painless as only Hollywood can. And he gets some great lines. On campaigns: 'Congressmen are elected by their contributors. I represent a district in Texas, but my contributors are Jews in New York, Florida and Hollywood. I'm known as a friend of Israel.' After meeting Zia: 'I've just had my ethics questioned by a guy who hanged the prime minister he overthrew in a military coup.'



Photo: © Universal Pictures

Say, they won't make a sequel, will they?

Assistant Amy Adams fixes dewy, starstruck eyes upon the congressman and the cause.

The movie is a good ol' boy movie, laparoscopically fixated more on our boy Charlie Wilson than the War. It hints but never says outright that the US trained and armed Osama bin Laden and

dialogue is dated and very *Top Gun*. You're just waiting for Maverick and Goose to fly bubble-to-bubble, flipping the bird to a goddamn Ruskie. You'll remember these scenes better than when Avrakotos warns Wilson about the crazies swirling into Kabul like a bathtub drain.

**The movie is a good ol' boy movie, laparoscopically fixated more on our boy Charlie Wilson than the War. It hints but never says outright that the US trained and armed Osama bin Laden and the Taliban.**

the Taliban. It focuses on goings-on in Washington, DC rather than what happened on the ground in Afghanistan or its neighbours, Pakistan, Iran and India. It elides the fact that much of the US\$3.5 billion the US eventually spent in Afghanistan went to the warlord Gulbuddin Hekmatyar, notorious for shelling his own cities and his fickle loyalties.

The real life Charlie Wilson was rather different. Writing on *AlterNet*, Melissa Roddy points out that "when Wilson retired from the House of Representatives, he was so copacetic to Pakistani views that he went to work for Pakistan as their lobbyist—at the rate of US\$360,000 per year.

As you're watching this flick, you'll notice its combat scenes are sexy throwbacks. The crocodilian MI-24 Hind attack helicopter, with its Klingon brow bulges for its twin turbos, fires red tracers at fake-looking people in the distance. The Russian

This movie is an exercise in uncomplicated, feel-good American patriotism which happens to be set against the backdrop of a US intervention. But it could have just as easily been *The Dukes of Herat*, with Ned Beatty as Boss Hogg rather than Congressman Long.

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